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# Loan Interests

## Safe Drinking Water Loan Program SFY 2005 Funding Policies

*Jeanne Cargill*

### Available Funding

Wisconsin expects to receive a Drinking Water State Revolving Fund (DWSRF) federal capitalization grant for approximately \$16,442,800 from the United States Environmental Protection Agency (U.S. EPA) for State Fiscal Year 2005 (SFY 2005 starts July 1, 2004 and ends June 30, 2005). After adding the state match and unspent funds from previous fiscal years, and subtracting funds for set-asides, the available funding for Safe Drinking Water Loan Program (SDWLP) loans to local governmental units for SFY 2005 is expected to be **\$43,272,889**.

### 20% State Match

Wisconsin must provide a state match of at least 20% of the federal capitalization grant, or \$3,288,560.

### Funds for Set-Asides

The DWSRF allows states to set aside up to 31% of the federal capitalization grant to fund DWSRF administrative expenses, state program management, small systems technical assistance, and local assistance and other state programs. For SFY 2005, DNR plans to use \$3,060,848 on the following activities:

- \$657,712 for DWSRF administrative expenses (4%)

- \$1,644,280 for state program management of the Public Water System Supervision program (10%)
- \$328,856 for small systems technical assistance (2%)
- \$430,000 for other state programs to develop and implement wellhead protection activities, workshops and tools.

### Funding List

After receiving the DWSRF federal capitalization grant for SFY 2005, DNR will determine which applications fall within the fundable range and will publish the SFY 2005 SDWLP funding list. The fundable range is the range of projects on the funding list that can be fully or partially funded with the available loan monies, in accordance with s. NR 166.26, Wis. Adm. Code. The Department of Administration (DOA) will allocate the appropriate amount of present value subsidy to each project in the fundable range.

### Unused Funds - SFY 2005

If a project in the SFY 2005 fundable range:

- 1) does not use all of the funding it is allocated,
- 2) fails to execute a loan on or before April 30, 2005, or
- 3) is allocated funding that is later reduced in accordance with ss. NR 166.26(3)(b) to (h), Wis. Adm. Code, then DNR and DOA will reallocate the unused funding to the next highest ranked, eligible project(s) on the funding list, in accordance with s. NR 166.26, Wis. Adm. Code. If the next highest ranked eligible project(s) is unable to execute a loan on or before

April 30, 2006, DNR and DOA will add any unused funds to the SFY 2007 available funding. If there are no other eligible projects to allocate any available or unused SFY 2005 funding as of April 30, 2005, DNR and DOA will add any unused or unallocated funds to the SFY 2006 available funding.

### Small Systems

Small systems are those public drinking water systems that serve less than 10,000 persons. The number of persons served by a system is obtained from the DNR Bureau of Drinking Water and Groundwater and determined on the application deadline, April 30, 2004. DNR uses this figure to determine whether or not a system meets the small systems population criterion. In accordance with s. 281.61(8)(a)1, Wis. Stats., DOA will allocate to small systems 15% of available funds, or a lesser amount that fully funds the small system projects on the list. If a project is designated as a small system and is needed to meet the 15% small systems requirement, the SDWLP will provide the local governmental unit full loan assistance, subject to the 25% present value subsidy limitation and available funding.

### 33% of Market Interest Rate Loans

A local governmental unit with a population less than 10,000 **and** an adjusted median household income (MHI) of 80% or less of the state's adjusted MHI, is eligible to receive an interest rate that is 33% of the current market interest rate for loans, in accordance with s. NR 166.14(1), Wis. Adm. Code. Local governmental units that do not meet both criteria will receive an interest rate that is 55% of the current market interest rate for loans. The interest rate for a loan is determined with population and MHI data available at the time of the Financial Assistance Agreement.

### Refinancing, Reimbursement and the U.S. EPA Eight Quarters Rule

To avoid SDWLP funding shortfalls and multiple loan closings for single projects, Wisconsin transferred Clean Water Fund Program (CWFP) funds into the SDWLP to help fund construction costs subject to U.S. EPA's Eight Quarters rule. CWFP transferred funds are not subject to the Eight Quarters rule, and will primarily be used to fund refinancing and reimbursement costs for projects that could not otherwise be funded with a single loan due to the Eight Quarters rule. To date, Wisconsin has transferred \$23,596,056 from the CWFP to the SDWLP. In SFY 2005, \$18,194,010 of the transferred funds are included in the determination of available funding.

So – what is the Eight Quarters Rule? Construction costs incurred prior to the execution of an SDWLP loan may be eligible for refinancing or reimbursement with an SDWLP loan. However, U.S. EPA has an "Eight Quarters" rule that restricts a portion of the available funding, affecting the way in which funds to refinance or reimburse construction costs incurred prior to execution of a loan can be disbursed. Design and planning costs are not subject to the Eight Quarters rule. In SFY 2005, as much as \$11,381,952 of the available funding could be "restricted".

"Eight Quarters" refers to the time period during which funds can be restricted -- up to eight calendar quarters. The start of the Eight Quarters period, the first quarter, is the calendar quarter in which U.S. EPA notifies DNR that Wisconsin will receive its federal capitalization grant. Wisconsin uses or "draws" funds from the capitalization grant as the primary source of funding for SDWLP loans.

U.S. EPA requires that any refinanced or reimbursed construction costs funded

with the restricted funds need to be drawn evenly over the calendar quarter in which the loan is executed and the remaining calendar quarters of the Eight Quarters period. In other words, if restricted funding is used, the refinancing or reimbursement costs cannot be paid with one SDWLP loan; a loan would need to be executed in each of the remaining calendar quarters of the Eight Quarters period. For example, if an SDWLP loan is executed in quarter 4 of the Eight Quarters period, only one-fifth of the funds needed for refinancing or reimbursement can be used in the quarter 4 loan; Wisconsin must draw the restricted funds and disburse them with loans evenly over quarters 4,5,6,7 and 8.

For further information regarding the Safe Drinking Water Loan Program, contact Jeanne Cargill at (608) 267-7587 or [jeanne.cargill@dnr.state.wi.us](mailto:jeanne.cargill@dnr.state.wi.us)



## Safe Drinking Water Loan Program Intended Use Plan for SFY 2005

*Becky Scott*

Section 1452(b) of the Safe Drinking Water Act requires that each state prepare an annual Intended Use Plan (IUP). The IUP identifies the uses of the funds in the Drinking Water State Revolving Fund and describes how those funds support the goals of the Act.

The Safe Drinking Water Loan Program IUP for State Fiscal Year (SFY) 2005 is attached to this newsletter. The IUP is

part of Wisconsin's capitalization grant application package for Federal Fiscal Year 2004 funds. After EPA awards Wisconsin's capitalization grant, we will use the grant and state matching funds, as well as other money which is available in the state revolving fund, to provide financial assistance for drinking water projects and fund several programmatic set-asides during SFY 2005.

If you have any questions or comments regarding this IUP, please contact Becky Scott at (608) 267-7584, or [rebecca.scott@dnr.state.wi.us](mailto:rebecca.scott@dnr.state.wi.us) ☐

## Public Hearing Scheduled

*Jeanne Cargill*

The Department will hold a public hearing on Wednesday, June 30, 2004, to receive comments regarding funding policies and project priority lists for State Fiscal Year 2005. This public hearing is for both the Clean Water Fund Program (CWFP) and the Safe Drinking Water Loan Program (SDWLP).

We published the funding policies and the project priority list for the CWFP in the May 2004 issue of Loan Interests. The SDWLP funding policies are on page 1 of this issue of Loan Interests. We published the SDWLP project priority list in the March 16, 2004 issue. If you want a copy of any back issues of Loan Interests, visit our Newsletters web page at [www.dnr.state.wi.us/org/caer/cfa/EL/Section/Newsletters/newsletters.html](http://www.dnr.state.wi.us/org/caer/cfa/EL/Section/Newsletters/newsletters.html) or contact Jodi Armstrong at 608-264-6120 or [jodi.armstrong@dnr.state.wi.us](mailto:jodi.armstrong@dnr.state.wi.us).

If you wish to submit oral comments to the Department regarding these items, we encourage you to attend the public hearing. You may also submit written comments prior to or at the hearing.

See the Notice of Public Hearing attached to this newsletter for further information. ☐

## Getting to Know the EL Staff

*Jeanne Cargill*

Quite some time ago, I started writing a series of articles to introduce our customers to individual members of the Environmental Loans (EL) Section staff. I'm back at it again and would like to tell you about one of our project managers, Ken Hollenzer.

Ken currently handles all of the Notice of Intent to Apply forms that are submitted to EL and coordinates the scoring of Priority Evaluation and Review forms with DNR field staff. He is our liaison with our Construction Management Engineers who inspect construction projects and approve change orders for the CWFP and SDWLP. Like all project managers in the EL Section, Ken processes loans for the Clean Water Fund Program (CWFP), the Safe Drinking Water Loan Program (SDWLP) and the Land Recycling Loan Program (LRLP). One of his major assignments is to process loan applications for the large metropolitan sewerage districts like Madison, Milwaukee and Green Bay.

Ken started with the Department of Natural Resources (DNR) 29 years ago, in 1975. His first position in DNR was in the Office of Environmental Enforcement where he was responsible for trying to get businesses and municipalities to come into compliance when they were faced with enforcement action against them. Early on in his career, Ken developed the model for DNR's stepped enforcement process. This model is still being used today. Ken was also instrumental in getting enforcement conferences introduced

into the process, encouraging small business owners and municipalities to meet with enforcement staff face-to-face to resolve problem situations. When problems could not be resolved, Ken wrote the Department's recommendation for referral of the case to the Department of Justice.

There are two other parts of his work with enforcement of which Ken is proud. First, an article he wrote and got published in a Council of State Governments journal started a discussion of ideas that eventually led to DNR's Compliance Maintenance Program. Second, before leaving the enforcement program, Ken shared some concepts that were included in the

## Calendar of Events

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**June 30, 2004**  
3:00 pm, Rm. 817 GEF 2  
Madison  
*Funding Policies Public Hearing*

**June 30, 2004**  
Postmark deadline  
*CWFP hardship applications*

**October 20, 2004**  
Funding Sources Committee  
Evening Presentation  
*City Hall, Dodgeville*

**November 9, 2004**  
Funding Sources Committee  
Morning Workshop  
*WRWA, Plover*

**November 10, 2004**  
Funding Sources Committee  
Mid-day Workshop  
*City Hall, Rice Lake*

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Department's Environmental Citation Program administered by the Bureau of Law Enforcement.

In 1984 Ken was promoted to the position of Section Chief in the Bureau of Water Grants. He was responsible for staff that administered grants for nonpoint source projects, and staff that did administrative work with data systems, procedures, policies, planning, and support. During this time, Ken represented the department on the U.S. EPA's National Grants Information Control System states workgroup. The group worked on the national data systems that EPA uses to exchange information with states on federally funded projects.

Since 1989, Ken has been a project manager in EL. In the early years of the CWWP, Ken participated on the teams that developed policies and procedures for the new program. He focused, though, on closing out EPA and Wisconsin Fund grants, which was a big job. Ken was our liaison with the Army Corp of Engineers who inspected the grant projects constructed by Milwaukee Metropolitan Sewerage District (MMSD). He worked very closely with MMSD to close out grants for the deep tunnel and the Jones Island and South Shore Treatment Plants.

Ken was our SDWLP specialist in the early days of that program. He has been a team member in DNR's Employee Assistance Program and on the Diversity Team.

Ken grew up in New York City. He received a Bachelors Degree in Environmental Science from Eisenhower College in Seneca Falls, New York. He came to Wisconsin in 1974 to enter the Masters program at the

UW Madison, and earned his Masters Degree in Water Resources Management.

In his time away from DNR, Ken enjoys hiking, photography, and traveling. He also enjoys piloting small private aircraft, although it's been a while since he last flew. Maybe getting back in the air is something to think about for the retirement years. Ken is recently married and has two adult sons, seven stepchildren and three grandchildren. ☐



## Get PSC Approval Process Started

*Jeanne Cargill*

Did your municipality submit an application for funding from the Safe Drinking Water Loan Program (SDWLP) for State Fiscal Year (SFY) 2005? If so, and you need a rate increase in order to support your new loan/bond (and generate the required debt coverage), we encourage you to get started on your Public Service Commission (PSC) rate increase application as soon as possible.

All SDWLP loans for SFY 2005 must close by April 30, 2005. If you need a rate increase for your loan, you must receive your rate order from PSC authorizing a rate increase before we close your SDWLP loan. Be sure you allow PSC enough time to process your rate application. In past years, loan closings were delayed because of municipalities not submitting their rate

request to PSC early enough to get approval prior to the desired loan closing date. Applicants can lose their funding allocations due to rate increases not being approved early enough to close by the April 30 deadline for loan closings.

Please don't put off submitting your rate increase application. This process is an important step in obtaining an SDWLP loan. For more information, visit PSC's website at <http://psc.wi.gov>. ☐